

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
PA-01 PRS-01 L-03 H-01 /085 W
-----280825Z 077315 /17

R 272332Z JAN 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9952

INFO TRSY WASHDC

ALL US CONSULATES IN MEXICO BY POUCH

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E.O. 11652: N/A

TAGS: EGEN MX

SUBJ: PROGRAM TO PROVIDE 90 BASIC PRODUCTS AT LOW PRICES

REF: (A) 76 MEXICO 15646; (B) 75 MEXICO 15754;
(C) MEXICO 0874

1. SUMMARY: ON JANUARY 21, LOPEZ-PORTILLO SIGNED DECREE
AUTHORIZING SECRETARY OF COMMERCE TO SIGN AGREEMENTS WITH
VARIOUS INDUSTRIES TO PROVIDE 90 BASIC CONSUMPTION ARTICLES
AT LOW PRICES. PRESIDENT'S COMMENTS AT SIGNINF IMPLIED
THIS WOULD BE A SACRIFICE BY INDUSTRY TO COMPENSATE FOR
RESTRAINT IN WAGE DEMANDS. MEASURE LABELED AS A MEANS
TO REDUCE PRICES. END SUMMARY.

2. THE LOPEZ-PORTILLO ADMINISTRATION IS NOW MOVING TO
GET INDUSTRY TO SIGN AGREEMENTS BY WHICH THEY WILL
PROVIDE 90 BASIC CONSUMPTION GOODS AT FIXED PRICES, AT
BOTH WHOLESALE AND RETAIL LEVELS. PRICE OF GOODS TO
BE BASED ON DIRECT AND INDIRECT COSTS AND A "REASONABLE"
PROFIT TO BE DETERMINED BY NEGOTIATIONS BETWEEN
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INDUSTRY AND GOVERNMENT.

3. THE PRODUCTS COVER SOME PREPARED FOODSTUFFS, SCHOOL
SUPPLIES, HYGIENIC SUPPLIES,
HOUSEHOLD GOODS AND CLOTHING. THE PRODUCTS RANGE
FROM TOILET PAPER TO BICYLES TO PLASTIC SANDALS.

4. THERE WILL BE NO FISCAL INCENTIVES TO PRODUCE THESE ITEMS, BUT NECESSARY IMPORT PERMITS WILL BE GRANTED AND THE SECRETARY OF COMMERCE CAN "RECOMMEND" TO OTHER GOM AGENCIES THAT CERTAIN OTHER FACILITIES SUCH AS FINANCING BE MADE AVAILABLE. THE GOODS WILL BE DISTRIBUTED THROUGH EXISTING RETAIL OUTLETS. SECRETARY OF COMMERCE SOLANO SAID THAT THE LARGE RETAIL CHAINS HAD AGREED TO HANDLE THESE ITEMS AT LOWER PROFIT MARGIN. SMALL RETAILERS WILL BE ABLE TO BUY THE ITEMS AT A DISCOUNT.

5. SINCE THE PRODUCTS WILL BE SOLD THROUGH EXISTING RETAIL OUTLETS, ANYBODY WILL BE ABLE TO PURCHASE THE ITEMS, THOUGH THE PROGRAM IS AIMED LARGELY AT THE URBAN WORKER. THE GOM HOPES TO HAVE AT LEAST SOME OF THE ARTICLES ON STORE SHELVES WITHIN 90 DAYS.

6. THIS AGREEMENT WITH PRIVATE INDUSTRY SUPPLEMENTS THE TEN AGREEMENTS SIGNED IN MID-DECEMBER. AT THAT TIME, THERE WAS REFERENCE TO AN ELEVENTH AGREEMENT ON BASIC CONSUMER GOODS, BUT IT WAS NOT SIGNED APPARENTLY BECAUSE OF THE LARGE NUMBER OF INDUSTRIES INVOLVED. NEGOTIATIONS WITH VARIOUS INDUSTRIES WERE BEGUN BY THE LOPEZ-PORTILLO TEAM LAST SUMMER. AGREEMENT HAD BEEN REACHED ON 20 OR SO PRODUCTS PRIOR TO THE DEVALUATION. THE NEGOTIATIONS ARE NOW GOING ON BETWEEN INDUSTRY ASSOCIATIONS AND THE GOVERNMENT.

7. WHILE THE GOVERNMENT DOES NOT EXPECT INDUSTRY TO LIMITED OFFICIAL USE

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PRODUCE THESE BASIC GOODS AT A LOSS, IT EXPECTS INDUSTRY TO MAKE MINIMAL PROFITS. IN EXCHANGE THE GOVERNMENT WILL PROBABLY INCREASE PRICE CEILINGS FOR HIGHER PRICED GOODS.

8. IT IS NOT CLEAR TO US HOW THIS MEASURE WILL REDUCE PRICES, OR HOW FLEXIBLE GOVERNMENT WILL BE IN LETTING PRICES CHANGE FOR THE 90 BASIC PRODUCTS ONCE THEY HIT THE MARKET. THUS FAR, WE HAVE NOT HEARD ANY MAJOR COMPLAINTS FROM BUSINESSMEN, IN PART BECAUSE SEVERAL TO WHOM WE HAVE SPOKEN SAY THE DISCUSSIONS ARE STILL PRELIMINARY. ONE BUSINESSMAN NOTED THAT USING COMMERCIAL RETAIL CHAINS AND KNOWN PRODUCT NAMES IS BETTER THAN BEING FORCED TO PRODUCE SPECIAL BRANDS FOR RESALE THROUGH THE GOM-OWNED CONASUPO RETAIL STORES.

9. GOM OBVIOUSLY IS ANXIOUS TO CASH IN ON ITS IMPLIED PROMISE TO LOWER PRICES. GOM OFFICIAL TOLD US THAT THE SEVEN MAJOR RETAIL CHAINS IN MEXICO WILL OFFER

35 ARTICLES AT SPECIAL PRICES BEGINNING JANUARY 31.

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Message Attributes

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Copy: SINGLE
Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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